

SUPPLEMENT TO THE ORANGEBURG NEWS.

MESSAGE OF HIS EXCELLENCY GOVERNOR F. J. MOSES, JR., TO THE LEGISLATURE OF SOUTH CAROLINA.

ORANGEBURG, S. C., OCTOBER, 1873.

MESSAGE.

One citizen of the Senate and House of Representatives:

I have called together your honorable bodies by virtue of the power vested in me by the constitution of the State, which authorizes the Governor, "on extraordinary occasions," to convene the General Assembly.

I have been impelled to exercise this power by my sense of public duty.

The occasion is an extraordinary one. The responsibilities which attach alike to the Executive and Executive departments of the State government, will be met, I trust, with a strict regard to the interests of the people at large, from whom they derive their powers.

Certain bond creditors of the State, holding or representing bonds of several classes having, in the last resort, appealed to the Supreme Court to pass upon the validity of the State securities held by them, and to afford them the relief to which they deemed themselves entitled, the court have decided that the bonds in question are valid, and that the comptroller-general shall, "in obedience to the constitution and laws," levy a tax to pay the interest on the said several classes of bonds, such levy to be made before the 15th day of November proximo, the rate per centum of the tax to be levied to be adequate to liquidate the interest past due, and also that for the present year.

This mandamus covers five classes of bonds, amounting in the aggregate to \$3,549,023.50, and forty-five thousand of which have been exchanged for conversion bonds, and are now outstanding in that form.

This decision of the highest judicial tribunal of the State, thus invoked by a portion of the public creditors, would seem to admonish the State government that it should, without delay, provide for the liquidation of its whole bonded debt, upon a practicable basis of adjustment, honorable alike to the State and its creditors, or prepare to witness proceedings, on the part of those who hold its securities, which must eventually in stamping the State—by the decrees of its own or Federal Courts—as totally wanting in regard for private rights or public faith.

If the General Assembly could, by an instant exercise of its constitutional powers, destroy every bond that bears upon it the impress of the great seal of the State, they would thereby confer a very great present benefit upon the entire people, but it would

be, at the same time, an act of monstrous injustice.

There is a tribunal before which States are judged, as well as individuals.

It is the tribunal of public opinion.

The verdict of impartial and inexorable history is made up from the expressed judgment of fair minded men, delivered on current events.

Let not that verdict be, that the government of South Carolina—based upon a broad recognition of the rights of man—contracted a large public debt to provide for its maintenance in the hour of its weakness and remorselessly repudiates that debt in the day of its assumed power.

While I do not, for an instant, assume that any honorable Legislature would avowedly repudiate any obligation of the State, yet it must be patient to the world that to refuse, or to fail to provide, the means for liquidating the public debt, is, in effect, to repudiate it.

Further delay to act in the premises, by meeting the just demands of our public creditors, to the extent of our ability, without imposing a grievous burden on the people, is to fix upon South Carolina the stigma of repudiation, which must indelibly mark her as the shame and opprobrium of American States.

I would, however, deem myself unfaithful of the high trust that I hold from the people, and which they have also conferred upon you, fellow-citizens, as their chosen representatives, if I were to advise that the debt of the State should be liquidated at its full ascertained amount.

The State satisfies the demands of honor and good faith when it does all that its circumstances allow.

The existing bonded debt represents, in great part, an exemption of the people from high taxation during the period of four years, commencing in 1868.

Its liquidation confers upon us vast responsibilities and solemn duties.

These responsibilities and duties we cannot delegate to others, but we must act according to our best understanding, confiding in the integrity of our motive, and in the just judgment of the people, whose rights and obligations are alike represented by the Government of the State.

A further and important consideration that has induced me to convene your honorable bodies in extraordinary session is that the act, which I have seen by your journals, was passed and ratified at a very unusual session, withdrawing from the public the comptroller-general all authority to order any tax levy, has never reached this department, and hence, has not become a law, as was intended by the General Assembly.

The decision, therefore, of the Supreme Court, requiring the comptroller-general to order the necessary levy to pay the interest on the adjudicated bonds, on or before the 15th of November proximo, would—if your honorable bodies had not been convened—have been imperative upon the said officer, and he would thus have exercised a power under the operation of a statute which the law-making department of the State government had clearly shown their purpose to repeal.

I therefore thought it proper that you, as the representatives of the people in your legislative capacity, should be afforded the opportunity in season, after further reflection, of affirming your previous action in the premises, reflecting, as you do, the direct expression of the popular will.

For your information, and for that of the people of the State, I have made a thorough and exhaustive examination of the various classes of our public debt, and have prepared tabular statements exhibiting the true status thereof. In this work I have been aided secondarily by the unremitting labors of Mr. Walter R. Jones, clerk of the Financial Board, to whom I take this public method of returning my thanks for his valuable assistance.

It is due also to the honorable the treasurer of the State, and to his efficient book keeper, Mr. T. J. Minton, that I should say that I have been afforded every facility in making this investigation, and that I have obtained reliable aid from them in acquiring the information desired.

Every piece of stock, or bond, cancelled and filed in the treasury, which has been redeemed, or for which conversion stock or bonds have been exchanged, has been separately and carefully examined; its number and denomination noted and compared with the Treasurer's registry of bonds and stocks converted. By eliminating from the bonds and stocks outstanding August 1, 1868, and from those printed since that period by Messrs. Murphy's Sons, of Philadelphia, and the American Bank Note Company, of New York, such as have been converted and cancelled, or cancelled unused, I have obtained a complete registry of the bonds and stocks outstanding at the present time. The following statement will exhibit the present condition of the bonded debt:

It will be seen from the preceding statement that the bonded debt aggregates \$15,851,627.35, or \$300 more than the amount reported outstanding on the 31st of October, 1872. This difference is accounted for by the issue on the 15th of November, 1872, of \$300 funding stock under the Acts of September and December, 1866.

It will also be seen that I have divided the debt into two historical periods, viz: "Ante-Reconstruction Funded Debt," or the amount of bonds and stocks outstanding when the reconstruction government assumed control, and "Post-Reconstruction Funded Debt," or the amount of bonds and stocks which bear the signatures of the officers of the reconstructed government. This latter debt has been subdivided as follows: The first subdivision shows the floating debt contracted by the ante-reconstructed government, which the officers of the reconstructed government found outstanding when they came into power, and which they converted into a funded debt by the reconstruction of the funded debt; the second subdivision represents the funded debt actually created by the reconstructed government, and for which only they are entirely responsible.

HISTORY OF THE BONDED DEBT.

The stock known as the three per cents of 1794, was issued for the purpose of funding certain debts incurred by the State to aid in carrying on the revolutionary war. At the close of the war the United States government assumed the debts of the States, incurred in carrying on the war. The interest upon this debt was paid by the national government to the State, and the State disbursed the amount so received to her creditors. When the Bank of the State was chartered in 1812 the moneys received from the United States were turned over to the bank and formed a portion of its first business capital. After a few years the United States paid to the State the entire principal of this debt, which amount was also turned over to the bank and it was made the duty of the bank to pay the interest on the debt, and to redeem the three per cents, and to redeem the principal upon presentation. It is, therefore, assumed that this debt is a prior lien upon the assets of the bank. This stock is held almost exclusively by citizens of this State, having been in the possession of single families from generation to generation from 1794 to the present time.

The Fire Loan stock, amounting to \$303,343.89, was issued for the purpose of funding certain debts incurred by the State to aid in carrying on the revolutionary war. At the close of the war the United States government assumed the debts of the States, incurred in carrying on the war. The interest upon this debt was paid by the national government to the State, and the State disbursed the amount so received to her creditors. When the Bank of the State was chartered in 1812 the moneys received from the United States were turned over to the bank and formed a portion of its first business capital. After a few years the United States paid to the State the entire principal of this debt, which amount was also turned over to the bank and it was made the duty of the bank to pay the interest on the debt, and to redeem the three per cents, and to redeem the principal upon presentation. It is, therefore, assumed that this debt is a prior lien upon the assets of the bank. This stock is held almost exclusively by citizens of this State, having been in the possession of single families from generation to generation from 1794 to the present time.

In my opinion these bonds and stocks, amounting in the aggregate to \$15,851,627.35, are now past due and payable, and also the three per cents, making a total of \$15,851,627.35, or \$300 more than the amount reported outstanding on the 31st of October, 1872.

The act authorizing the issue of the "Fire Loan bonds" provides that "it shall be the duty of the President and Directors of the Bank of the State of South Carolina to make proper provision for the punctual payment of the interest of such loan as may be effected upon the credit of the State, under the provisions of this act, and also for the ultimate redemption of the principal thereof," and further, "that when the profits of the said Bank of the State of South Carolina shall have paid the interest on certain stocks and redeemed said stocks (all of which, save the three per cents, have been redeemed long since), for which they have heretofore been pledged and set apart, the said profits shall also be considered as set apart for the payment of the interest on the said loan and the final redemption of the principal thereof."

The history of this loan is as follows: The \$2,000,000 of bonds were issued to the Bank of the State. The bank, through its agent, General McDuffie, secured the bills of the Baring Brothers, of London, to negotiate them. They succeeded in disposing of about \$1,000,000; the remainder was returned to the bank, converted into registered stock, and sold in the States. The proceeds of the sale of these bonds and stocks were deposited in the bank as a part of its working capital. Persons desiring to rebuild the burnt district of Charleston obtained a loan for that purpose from the bank, giving a mortgage upon the property as security for the loan. The bank received the moneys from the sale of the bonds and stocks; it received the interest upon the loans made to the builders; it received the principal of the loans at their maturity. In justice, therefore, to the tax payers of the State the assets of the bank, which have repeatedly been solemnly pledged and set apart for the redemption of these bonds and stocks, ought to be immediately so applied.

In the report of the officers of this institution to the Legislature of 1874 it is emphatically asserted "that the whole of the assets of the bank stand as security for this loan."

The president of the bank in his report to the Legislature of July 1868, referring to this subject, very justly observed "that it might with propriety be regarded as a debt of the bank rather than a debt of the State. The bonds and stocks were sold and the funds placed under control of the bank, which was charged with the distribution of the funds, and also the duty of providing for the payment of the interest and principal of the obligations as they became due."

The Legislature, under act of December 21st, 1865, again pledged and appropriated the assets of the bank—first to the payment of the fire loan bonds in Europe; second to the fire loan stocks in America, and third to the bills of the bank.

The Legislature, under act of September 15th, 1868, disregarded this contract with the holders of this loan, and directed the sale of the assets, under the direction of the Governor, the proceeds to be subject to the order of the Legislature; and also authorized the funding of the bills issued prior to December 20, 1860. The sale of the assets was enjoined by the courts, and the claims of these several classes of creditors are still the subject of litigation.

The whole history of this loan, as read in the annual reports, both of the officers of the bank and the comptroller-general, conclusively proves that the interest on the loan as it accrued, and the principal as it matured, were made a preferred claim upon the entire funds of the bank.

In 1841 the late C. M. Farnum, then cashier of the bank, made a statement showing the probable operation of the bank in the payment of the public debt, in which he

showed that on the 1st of January, 1870, after the redemption of the last instalment of the fire loan, there would be a balance of funds in the bank to the amount of \$2,418,927.35.

I am aware that the available assets of the bank, according to the report of the Legislative committee of 1868, appointed to investigate this matter, if sold, would probably be insufficient to cancel this entire indebtedness, viz: \$824,124; but these facts have been adduced to show that they should be so applied as far as they will go, and the deficiency, if any, could afterwards be provided for by the Legislature.

I repeat, therefore, that the fire loan bonds and stocks and the three per cent. stock are not actual, but contingent debts of the State. The actual debt is thus reduced to \$15,027,503.35.

The aggregate amount of bonds and stocks originally issued under the several acts authorizing the issue of bonds and stocks for the construction of the new State House was \$2,286,600. Of this sum \$1,034,811.59 have been cancelled, and conversion bonds issued in lieu thereof, and \$212,000 have been redeemed, and \$251,788.41 are now outstanding in their original form, as will more fully appear by reference to the statement of the bonded debt.

The faith and funds of the State are solemnly pledged for the payment of the interest and principal of this debt. Of the amount outstanding \$38,000 of bonds of 1853 are past due, and no provision has been made for their redemption.

The bonds originally issued under the act of 1854, as an endorsement to the Blue Ridge Railroad, amounted to \$1,000,000. Of this sum \$34,000 have been converted and cancelled, and conversion bonds issued in lieu thereof, and \$966,000 are now outstanding in their original form. Unlike the bonds and stocks previously mentioned, no provision has been made by pledge of the faith or credit of the State, or otherwise, for the payment of the principal or interest of these bonds.

The bonds and stocks originally issued under the acts of September and December, 1865, for funding the interest and principal of certain bonds and stocks past due, aggregate \$1,166,287.35, as follows:

Bonds maturing in 1887	\$509,000 00
Bonds maturing in 1887	\$11,000 00
Stock maturing in 1887	146,287 35
Total	\$1,166,287 35

The total amount converted was \$156,673.41, as follows:

Bonds maturing in 1887	\$48,000 00
Bonds maturing in 1887	46,000 00
Stock maturing in 1887	66,873 41
Total	\$156,673 41

The total balance outstanding is \$1,009,613.94, as follows:

Bonds maturing in 1887	\$162,400 00
Bonds maturing in 1887	44,800 00
Stock maturing in 1887	79,413 94
Total	\$1,009,613 94

These two acts authorized the funding of the interest due upon the outstanding bonds and stocks to the 1st of July 1867, amounting to \$909,096.44; and also the funding of the principal of the bonds of 1853, to aid the Blue Ridge Railroad, due in 1859, amounting to \$310,000; also balance of certain stock, amounting to \$3,705.46, making a total amount fundable of \$1,228,801.90; total funded, \$1,166,287.35; balance not yet funded, \$162,514.55; additional amounts paid in by parties to make even sums of \$100, or \$50, \$534.17; less fractional amounts balance secured by stockholders, \$299.99; balance fundable \$143,715.83.

The bonds originally issued under the act of August 26, 1868, to redeem the obligations known as the bills receivable of the State, amount to \$500,000. These bills were issued under an act of December, 1865. The amount redeemable under the act of 1868, was \$300,000. Of this sum \$298,702 were redeemed by the present treasurer, as cash on account of taxes; there is, therefore, a balance outstanding of \$1,216.

It appears, by the reports of the financial agent, that those bonds were sold for 70 cents on the dollar, realizing \$350,000. The total amount of bills redeemed by the previous administration was, as before stated, \$298,702; there ought, therefore, to have been a balance of cash to the credit of this account on the 30th of November, 1872, of \$51,298.

In comparing the aggregate receipts and expenditures of the last administration, this amount is accounted for in the expenditure for general purposes, still I found it impossible to ascertain the object of expenditure to which it was actually applied.

Under the act of August 26, 1868, to authorize a loan to pay interest upon the public debt, the American Bank Note Company printed \$2,000,000 in two issues. The first issue amounted to \$1,000,000. On account of some alleged omission, they were not considered as saleable as were other bonds of the State. It was, therefore, determined to prepare a second issue of \$1,000,000. Of said issue \$500,000 were retired and destroyed by burning, as appears by the certificate of five of the officers of the executive department; \$500,000 were cancelled and are on file in the treasury; \$450,000 were never retired, and therefore exist as a debt of the State. The entire amount of the second issue was also negotiated. The total debt created under this act then amounts to \$1,450,000. Of this amount \$253,000 have been cancelled, and conversion bonds issued in lieu, and \$1,197,000 are outstanding in their original form.

In order to ascertain what proportion of this debt is chargeable to the ante-reconstruction administration, the following inquiries should be made:

1st. The whole period in months from the date the interest was last funded to the date to which the interest was payable under this act, from the proceeds of the sale of these bonds.

2nd. What proportion of this period belonged to the ante-reconstruction period, and what proportion to the post-reconstruction period.

The language of the act is rather ambiguous, but taken in connection with the recommendation of Governor Scott, in his first message, which recommendation it was the evident intention of the Legislature to adopt, it appears that the proceeds from the sale of these bonds were to be applied to the payment of interest on the public debt, accruing from the 1st of July, 1867, to 1st of July, 1869, a period of twenty-four months. The interest accruing from July, 1867, to August, 1868, a

period of thirteen months, is chargeable to the ante-reconstruction period, and the interest accruing from August, 1868, to July, 1869, a period of eleven months, is chargeable to the post-reconstruction period; or, in other words, 13-24 of the entire debt of \$1,450,000, amounting to \$785,416.66, is chargeable to the former period, and 11-24, amounting to \$664,583.33, is chargeable to the latter period.

It may be proper to state, in connection with this subject, that the Legislature, at its session of 1868-69, appropriated \$500,000 for the payment of the interest due for this same period, so that there were really two sources of income to meet this indebtedness. In comparing the amount of moneys received from taxes, with the moneys expended on account of appropriations for this same period, it appears that the expenditures, exclusive of the payments for interest, exceeded the receipts from taxes, and therefore, the amount of the interest was paid from the remaining source of revenue, viz: the proceeds from the sale of these bonds.

Under the act of September 15, 1868, for funding the bills of the Bank of the State, the American Bank Note Company printed \$1,500,000. Of this sum \$1,259,000 were issued, the balance was cancelled unused. Of the amount issued \$69,400 were converted into assumed bonds outstanding in their original form. The bonds prepared under the act of February 17, 1869, for the relief of the treasury, amounted to \$1,000,000, of which \$101,000 were never issued, and are cancelled and filed in the treasury; \$43,000 of the remainder have been exchanged for conversion bonds and \$856,000 are now outstanding in their original form.

The stock originally issued under the act of March 23, 1869, for the conversion of State securities, amounted to \$755,700; of which \$711,700 have been converted into conversion bonds, \$6,000 represent stock transferred, and \$37,000 are outstanding in the original form.

The issue of the conversion stock is explained in this way: when application was made to the treasurer by a person holding a bond of the State to have the same exchanged for a conversion bond, the treasurer took up such bond and issued in lieu a piece of conversion stock of equal amount, which stock was then cancelled and exchanged for a conversion bond. This roundabout process was prescribed by the act for the conversion of State securities. Several persons preferred to hold the conversion stock, and, therefore, did not carry the operation further, which accounts for the outstanding balance of \$64,000 before referred to. Of course this amount does not represent an increase of the public debt, but merely represents in another form some pre-existing obligation.

The act of August 26, 1868, authorized the sale of the bills for the conversion of State securities was \$576,500. Of this sum \$1,611,500 were issued merely to change the form of some pre-existing outstanding indebtedness, in the form of bonds and stocks previously authorized, and hence do not represent an increase of the public debt.

The \$34,000 of conversion bonds converted and cancelled are thus explained:

A person holding \$1,000 of bonds of different classes (say funding interest, etc., \$300 of the denomination of \$100; funding bills Bank of the State, \$500 of the denomination of \$50, and conversion, \$200 of the denomination of \$100) would present them to the treasurer, and receive in exchange a piece of conversion stock of the denomination of \$1,000, in exchange for said stock a conversion bond of equal amount. Thus, \$34,000 of conversion bonds found their way back into the treasury, and bonds of the same class, but larger denomination, found their way into the market without increasing the volume of debt.

I repeat, therefore, that there are now outstanding \$1,677,500 of conversion bonds issued in strict accordance with law, which are merely the representatives of bonds and stocks of various classes, and, in the aggregate, of equal amount cancelled and filed in the treasury. This statement is based upon my personal examination of said cancelled bonds and stocks, and may be relied upon as accurate in every particular.

There are also outstanding conversion bonds to the amount of \$5,965,000, which represent an actual increase of the public debt.

It has been alleged that these bonds were hypothecated for security of loans, by order of the Financial Board, and the moneys received therefrom used to cover the deficit of revenue from the receipts and expenditures "between the receipts and expenditures," and the State being unable to redeem the bonds at the maturity of the loans, they were forfeited and sold, and thus, by the amount represented upon their face, increased the public debt.

I will not venture to assert that these allegations are entirely at variance with the facts, because I have been unable to get access to the records of the Financial Board, or to ascertain the exact time each particular loan was negotiated, and the amount thereof, as also the amount of bonds forfeited and redeemed. The State failed to discharge at maturity, but this I assert with certainty, that more than one-seventh of said amount is accounted for in another way.

It appears, that on the 7th of December, 1870, the then treasurer of the State, in a letter addressed to the financial agent, (a copy of which is of record in the treasury,) stated that the State owed a debt of \$303,343.89, due in 1870, known as Fire Loan Stock, and also a debt of \$250,000, due in 1871, known as State Capital Bonds, which debts the financial agent had instructed him, the treasurer, to discharge, with authority to make whatever arrangements might be necessary therefor. He accordingly placed in said agent's possession bonds for the conversion of State securities, amounting to \$800,000, directing him to make such use of said bonds as he might deem necessary to redeem said obligations.

The sequel of this arrangement shows that \$212,000 of State capital bonds have been redeemed, \$203,000 by the financial agent, and \$9,000 by the treasurer.

Whether the entire amount realized from the sale or hypothecation of the said \$800,000 of conversion bonds was barely sufficient to redeem the \$212,000 of State capital bonds (purchasable at that time at a price below 80 per cent.) does not appear. In the absence of evidence to the contrary, and inasmuch as no fire loan stock was redeemed, it may safely be assumed, that such was actually the case.

The bonds issued under the act of March 27, 1869, for the purposes of the Land Commission, amount to \$200,000, and under the

act of March 1, 1870, for the same purpose, to \$500,000, making a total of \$700,000. Of the first issue \$75,000 have been cancelled, and conversion bonds issued in lieu, and of the second issue \$157,000 have changed their form in the same manner, leaving \$467,000 outstanding in their original form.

This concludes the history of the bonded indebtedness of the State.

FLOATING DEBT.

The interest due and payable upon the bonded debt, on the 31st of October, 1872, as appears by the treasurer's books, amounts to \$1,422,912.50.

The interest due and payable on the 31st of October, 1873, amounts to \$198,586.98.

Total interest accrued and accruing.

October 31, 1872	\$1,422,912 50
October 31, 1873	198,586 98
Total	\$1,621,500 48

There is also an unfunded balance of \$116,751.03, fundable under the acts of September and December, 1866, which may properly be included in the floating debt of the State.

The special committee appointed by the Legislature, session of 1872-73, to investigate the amount of outstanding pay certificates and bills payable, reported that they had examined outstanding pay certificates and bills payable to the amount of \$401,869.98. The committee asked for further time to continue their examination, which was granted. It is assumed that there is an additional amount outstanding, and report upon at your present session. The total amount of outstanding may be safely estimated at \$500,000.

It is also estimated that there is an unpaid balance of pay certificates of the session of 1872-73, amounting to about \$100,000.

It appears by the treasurer's books that the State is charged with the sum of \$1,797,352.94, on account of \$3,395,000 of bonds surrendered by the Blue Ridge Railroad in accordance with the provisions of an act of the Legislature, approved March 2, 1872.

There is also upon the treasurer's book a large miscellaneous floating debt, including unpaid free school fund, and all unpaid appropriations, not payable as deficiencies after October 31, 1873, which is estimated at about \$450,000.

RECAPITULATION.

Interest upon Bonded Debt to October 31, 1873.....\$1,621,500 48

Debt fundable under Acts September and December, 1866.....116,751 03

Pay certificates and bills payable sessions of 1870-71, 1871-72.....500,000 00

Pay certificates session of 1872-73.....100,000 00

Debt due Blue Ridge Railroad.....1,797,352 94

Miscellaneous Floating Debt.....450,000 00

Total.....\$3,485,554 45

Funded Debt.....\$15,027,503 35

Floating Debt.....2,062,997 75

Aggregate Floating and Funded Debt.....\$17,090,501 10

The passive, or do-nothing policy which has been in the treasury of the public debt, since 1871, has unquestionably proved disastrous to the credit of the State.

The tax payer, relieved for the time being from the payment of extra tax, regarding the bondholder as a parasite, living at the expense of forced contributions from his small and insufficient revenue, "roaring where he has not sown," has been disposed to let the debt and the holders thereof take care of themselves; hoping that some beneficent providence would ultimately relieve him of the burden; caring little whether relief came from repudiation or the assumption of the debt by the national government. But in the meanwhile the interest accumulates; the probability of the assumption of the debt by the national government is remote; the probability of repudiation begins to assume tangible shape and citizens are found bold enough to give utterance; the bonds of the State are no longer required for at the stock exchange; the credit of the State is lost almost beyond redemption.

It is patent to the unprejudiced mind that unless we propose to adopt in this State that policy which has made the name of the once proud State of Mississippi infamous in the commercial markets of the world, such prompt, immediate action is imperatively demanded as will demonstrate to the creditors of the State our honest determination to adjust and settle our entire indebtedness according to our best ability.

No one doubts that to levy at this time a tax large enough to cancel our floating indebtedness, or even to pay the accrued and accruing interest upon the bonded debt, would require the business energies of the State, and would be equivalent to an actual confiscation of the property of every citizen.

To fund the whole of the floating debt at par would increase the public debt of the State. This is expressly forbidden by a recent amendment to the constitution, unless two-thirds of the qualified electors of the State, voting upon the question, should give their assent to such increase. Even assuming that their assent to such increase could be obtained, the present condition and resources of the State do not warrant the collection of an annual tax of about nine mills on the dollar, in addition to all other taxes, to pay interest upon the public debt.

The question then arises what is to be done under the circumstances? There are those who even object, strenuously, to the levy of any tax at all for the present to pay interest; but we must either pay or repudiate. If from January 1871 to October 1873 does not furnish the tax payer a sufficient breathing spell to prepare the way for the resumption of the tax, then there are three additional years with all their interest accruing, and a far worse than the disease. It is irrelevant to our present purpose to reflect upon the way the debt has been contracted, or to estimate what consideration the State received in return. The debt exists, and sound public policy demands that some provision be made at once for its adjustment.

They would grumble whether the tax be one mill or ten.

Taxation is considered an evil always to be shunned; but there are evils much worse than that. The loss of credit, public and private, the continuation of such action as will bring discredit upon the fair name of the State and cloud the honor and ultimate good intentions of the people with suspicion of dishonorable repudiation. History is pregnant with illustrations of the fact that such a remedy is far worse than the disease. It is irrelevant to our present purpose to reflect upon the way the debt has been contracted, or to estimate what consideration the State received in return. The debt exists, and sound public policy demands that some provision be made at once for its adjustment.

The language of the treasurer of North Carolina in his annual report of November, 1872, applies with peculiar force to the present condition of affairs in this State. I can do no better than quote his words and recommend their careful perusal and consideration:

"I much fear, while I do not apprehend

ANTE-RECONSTRUCTION BONDED DEBT.

Statement of the Bonded Debt August 1, 1868, Showing the Amount of Each Class since Converted or Redeemed and the Balance Outstanding October, 1873.

UNDER								
CLASS.	WHAT ACT	FOR WHAT PURPOSE.	WHEN RECEIVED.	RATE.	AMOUNT OUTSTANDING AUGUST 1, 1868.	AMOUNT CONVERTED AND CANCELLED.	AMOUNT OUTSTANDING OCTOBER, 1868.	
ISSUED.								
Registered Stock.	June 1, 1874.	Revolutionary War Claims	At Pleasure.	3	\$18,836 00		\$18,836 00	
Registered Stock.	June 1, 1874.	Charleston Fire Loan	1870	6	314,452 80	\$11,110 00	\$303,342 80	
Registered Stock.	December 20, 1866.	Construction New State House	1872	6	250,000 00	69,514 20	180,485 80	
Registered Stock.	December 21, 1867.	Construction New State House	18 8	6	300,000 00	178,048 42	121,951 58	
Registered Stock.	December 21, 1868.	Construction New State House	1883	6	200,000 00	43,280 00	156,720 00	
Registered Stock.	December 21, 1868.	Construction New State House	1887	6	200,000 00	54,000 00	146,000 00	
Registered Stock.	December 22, 1869.	Construction New State House	1847	6	200,000 00	124,253 76	75,746 24	
Registered Stock.	December 22, 1869.	Construction New State House	1859	6	200,000 00	60,570 00	139,430 00	
Registered Stock.	January 22, 1870.	Construction New State House	1852	6	200,000 00	142,110 00	57,890 00	
Registered Stock.	January 22, 1861.	Construction New State House	1857	6	200,000 00	112,86 00	87,140 00	
Registered Stock.	February 6, 1862.	Construction New State House	1860	6	25,000 00	23,440 00	1,560 00	
Bonds.	June 1, 1838.	Charleston Fire Loan	1868	51	31,633 33	See Next Statement		
Bonds.	December, 1863.	Construction New State House	1864	51	2,500 00		481,94 51	
Bonds.	December, 1863.	Construction New State House	1861	6	250,000 00	1,000 00	249,000 00	
Bonds.	December, 1866.	Construction New State House	1867	6	200,000 00		200,000 00	
Bonds.	December, 1864.	Aid to Blue Ridge Railroad.	1875	6	200,000 00		198,000 00	
Bonds.	December, 1864.	Aid to Blue Ridge Railroad.	1876	6	200,000 00	2,000 00	200,000 00	
Bonds.	December, 1864.	Aid to Blue Ridge Railroad.	1877	6	200,000 00		200,000 00	
Bonds.	December, 1864.	Aid to Blue Ridge Railroad.	1878	6	200,000 00		200,000 00	
Bonds.	December, 1864.	Aid to Blue Ridge Railroad.	1879	0	400,000 00	32,000 00	168,000 00	
Bonds.	September and December, 1866.	Funding Past Due Interest and Principal.	1866	6	25,000 00	35,100 00	30,900 00	
Bonds.	September and December, 1866.	Funding Past Due Interest and Principal.	1867	6	306,167 00	25,200 00	325,967 00	
Total.					\$5,444,452 80	\$1,111,110 00	\$4,333,342 80	